(iv) As per RBI instructions, it is the responsibility of all the banks including the collecting banks to follow Know Your Customer (KYC) norms and open/operate the accounts of genuine customers only. Detailed guidelines on adherence to KYC norms have been issued to the banks *vide* RBI circular dated November 29,2004, which includes developing customer acceptance policy, customer identification procedures, monitoring of transactions and for customer education etc. Also, as fake and stolen cheques/demand drafts are encashed through bank accounts opened in false/fictitious names/addresses, bank have been advised to strictly adhere to KYC guidelines with a view to plug loopholes.

Probe into violations of foreign exchange and anti-money laundering laws

453. SHRI PRASANTA CHATTERJEE:
SHRI MOHAMMED AMIN:

Will the Minister of FINANCE be pleased to state:

(a) whether the Directorate of Enforcement is probing into the violation of Indian Foreign Exchange and anti-money laundering laws by Anil Dhirubhai Ambani Group; and

(b) if so, the details of the findings thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The Directorate of Enforcement is looking into certain complaints of alleged FEMA contraventions by Anil Dhirubhai Ambani Group. As on date, no conclusions have been arrived at.

Payment of compounding fees by Reliance Infrastructure

454. SHRI MOHAMMED AMIN:
SHRI PRASANTA CHATTERJEE:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Reserve Bank of India has asked Reliance Infrastructure to pay Rupees 125 crores as compounding fees for parking its foreign loan proceeds with its mutual fund in India within 315 days; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) As reported by RBI, Reliance Infrastructure Limited (RIL) (Formerly Reliance Energy Limited) raised an ECB of USD 360 million in July 2006 under the Automatic Route. The declared end-use for the ECB was 'Power' (for the purpose of capital expenses towards maintenance, up-gradation and augmentation of the company's Mumbai distribution system and, other projects). As part of monitoring of ECBs the Reserve Bank carried out a post-facto review of the utilization of ECB proceeds in 2007. During the review, certain end-use contravention/(s) in respect of the above ECB came to light. It was noted that the entire amount

was drawn down on November 15, 2006 and parked overseas in a bank. On April 26, 2007, out of USD 360 million, USD 300 million (Rs.1265.87 crore) was brought into India and kept invested in debt mutual funds, pending utilization for the declared end-use.

As per the extant guidelines, the ECB proceeds shall be parked overseas until actual requirement in India. Further, utilization of ECBs proceeds is not permitted for investment in the capital market. Thus, bringing the ECB proceeds into India and investing them in domestic mutual funds, pending utilization of the declared end-use was in violation of the extant ECB guidelines. Based on the above facts, a memo dated February 25, 2008 was issued to the company, bringing out the contravention/(s) observed in the ECB of USD 360 million, giving them an option to make an application for voluntary compounding of the contraventions.

Accordingly, the company filed an application for voluntary compounding of the contraventions related to the ECB for USD 360 million on April 18, 2008. After observing the due process, a compounding order dated August 27, 2008 was passed in terms of Foreign Exchange (Compounding Proceedings) Rules, 2000 dated may 3, 2000 (Rules, 2000) as amended from time to time and a penalty of Rs. 124.68 crore was levied. However, RIL did not pay the penalty within the time (15 days) specified in the Rules. In terms of Rule 10 of Rules, 2000 in case a person fails to pay the sum compounded in accordance with the Rule 9 within the time specified in that rule, he shall be deemed to have never made an application for compounding of any contravention under these Rules and the provisions of the Act for contravention shall apply to him.

In the meantime, the company submitted a revised application dated August 25, 2008, seeking compounding of the contraventions involved in two ECB transactions namely the aforesaid ECB and another ECB transaction of USD 150 million under approval route. The compounding application was not found to be in order, as it involved more than one transaction and contravention of different regulations and hence was returned to the applicant on September 30, 2008. RIL was given an option to make separate applications for compounding the contraventions relating to different ECB transactions. The company has not approached the RBI for compounding so far. Accordingly, the FEMA contravention/(s) have been referred to the Directorate of Enforcement on November, 7, 2008 for necessary action as deemed fit by them.

Duties evasion by EOUs

455. SHRI BHAGAT SINGH KOSHYARI: Will the Minister of FINANCE be pleased to state:

(a) the details of Export Oriented Units (EOUs) visited by Range officers during the last three years to check the receipt of raw materials, its consumption, clearance of finished goods for export/Domestic Tariff Area (DTA), payment of duty thereon, etc.;

(b) the quantum of duty evaded by EOUs during the last three years and measures taken to recover the same;